

U.S. Customs Service

Office of Strategic Trade Regulatory Audit Division



Importer Self-Assessment Program Handbook October 2002

IMPORTER SELF-ASSESSMENT QUICK REFERENCE GUIDE

What is Importer Self-Assessment?

- Importer Self-Assessment (ISA) is a partnership between Customs and importers to maintain a high level of trade compliance.
- ISA is a voluntary approach to trade compliance that allows importers maximum control of their own Customs compliance.
- ISA recognizes importers who are willing to assume responsibilities for self-assessment in exchange for less Customs oversight.
- ISA is built on knowledge, trust, and willingness to maintain an ongoing Customs/importer relationship.

What does participation in ISA require?

In order to participate in the ISA program, an importer must:

- Become a member of the Customs-Trade Partnership against Terrorism (C-TPAT);
- Complete an ISA Memorandum of Understanding (MOU) and an ISA Questionnaire;
- Agree to comply with all applicable Customs laws and regulations;
- Maintain a system of business records that demonstrates the accuracy of Customs transactions:
 - ✓ Establish, document, and implement internal controls;
 - ✓ Perform periodic testing of the system based on risk;
 - ✓ Maintain results of testing for three years and make test information available to Customs on request;
 - ✓ Make appropriate adjustments to internal controls; and
 - ✓ Maintain an audit trail from financial records to Customs declarations.
- Submit appropriate disclosures to Customs upon completion of company reviews; and
- Submit an annual written notification to Customs to confirm the identity of the company ISA contact, and confirm that the importer continues to meet the requirements of the ISA program as specifically listed herein and in the MOU.

The importer may meet the requirements of the ISA program by using internal resources or using an objective third party exercising due diligence and reasonable care.

What are the benefits of participation in ISA?

The program offers meaningful benefits that can be tailored to industry needs. An importer in the ISA program will receive the following benefits:

- Customs will provide consultation, guidance, and training as requested (for compliance assistance, risk assessments, internal controls, Customs audit trails, data analysis support, etc.).
- The importer will have the opportunity to apply for coverage of multiple business units.
- The importer will be removed from audit pools established for comprehensive audits, including Focused Assessments, Drawbacks, and Foreign Trade Zones. The audit exemption will apply to each specific area when it is determined that adequate internal controls are in place. (Importers may be subject to on-site examinations for specific reasons but will not be subject to comprehensive assessments of all Customs operations.)

- The importer will have access to a hotline to OST/RAD key liaison officials.
- The importer will be entitled to receive entry summary trade data, including analysis support, from Customs.
- With respect to an importer's right to make a prior disclosure pursuant to 19 U.S.C. 1592(c) or 1593a(c) and 19 CFR 162.74 when the importer becomes aware of facts that may represent a violation of 19 U.S.C. 1592 or 1593a, an ISA participant may utilize the following process: Unless, during Customs assistance, consultation, or training with an ISA participant, Customs becomes aware of errors in which there is an indication of a fraudulent violation of 19 U.S.C. 1592 or 1593a, Customs will provide a written notice to the participant of such errors and allow 30 days from the date of the notification for the participant to assess and, if determined necessary, file a prior disclosure pursuant to 19 CFR 162.74. This benefit does not apply if the matter is already the subject of an ongoing Customs investigation.
- In the event that civil penalties or liquidated damages are assessed against an importer, the importer's participation in ISA will be considered in the disposition of the case.
- The importer will have access to a Customs consulting team consisting of an Account Manager, Auditor, and Trade Analyst assigned to service ISA Accounts.
- The importer will enjoy greater business certainty:
 - ✓ There will be less Customs intrusion. The importer will not be subject to comprehensive audits such as Focused Assessments.
 - ✓ Based on Customs experience, importers who implement effective internal controls are able to provide more accurate and reliable entry data, eliminating the need for filing adjusted entries to correct entry information and reducing related internal and external costs.
 - ✓ Based on Customs experience, importers with strong internal controls are more compliant. A higher level of compliance will eliminate or minimize the pressure of unexpected emergencies related to Customs operations.
 - ✓ The importer can correct Customs errors when they occur as a result of administrative errors, negligence, or gross negligence through prior disclosures or Customs post-entry procedures, without fear of unexpected penalties.
- Additional benefits are tailored to industry needs (by mutual agreement).

Who is eligible for ISA?

- To be eligible for ISA, an importer must be a member of C-TPAT, must be a resident importer in the United States, and must have two years of importing experience prior to the date the importer applies to the program.

How does an importer apply?

- An importer may apply by completing an ISA Memorandum of Understanding (Appendix C) and an ISA Questionnaire (Appendix D). Both documents are available on the Customs website at <http://www.customs.gov/imp-exp1/comply/isa.htm>.
- Complete application instructions and explanations of application processing are available on the website.

Will Regulatory Audit conduct an on-site review during the application process?

- Customs will conduct a risk assessment of the importer to determine the review necessary.

- During the review of each ISA application, Customs will schedule an informal meeting with the applicant to introduce the Customs ISA representatives, explain the expectations for ISA, and answer any questions the applicant may have.
- If Customs has adequate knowledge of the importer and its internal control processes, an on-site review will not be necessary.
- If Customs does not have adequate knowledge of the importer, a Regulatory Auditor and Account Manager may meet with the importer for an on-site consultation to discuss and review its internal controls.
- The consultation will determine if the applicant is ready to assume responsibilities of self-assessment and will provide assistance and training as appropriate.
- The consultation will not involve substantive testing or an audit. It will be a collaborative effort.

When will benefits begin?

- Benefits will begin once Customs has completed an evaluation of the importer's ISA application package and notified the importer of our findings. Customs plans to complete the review within 90 days after the application is received in Regulatory Audit.

How will the partnership work on an ongoing basis?

- This will be a self-assessment process by the importer, not a monitoring process by Customs.
- The importer must submit an annual written notification to Customs to confirm the identity of the company ISA contact and to confirm that it continues to meet the requirements of the ISA program as specifically listed herein and in the MOU.
- Through the annual notification, the importer agrees to:
 - ✓ Comply with all applicable Customs laws and regulations;
 - ✓ Maintain a system of business (including records, procedures, and policies) that demonstrates the accuracy of Customs transactions as described herein. Specific requirements include:
 - Maintaining internal controls appropriate to provide reasonable assurance of Customs compliance, including components of internal control as outlined in Appendix G;
 - Performing some periodic testing (designed by the importer) based on risk at least annually;
 - Maintaining results of testing for three years and providing test results to Customs on request;
 - Making appropriate adjustments to internal controls when needs for improvements are identified; and
 - Maintaining an audit trail from financial records to Customs declarations.
 - ✓ Make appropriate disclosures to Customs.
- In general, ISA participants will not be subject to any routine or periodic on-site reviews or audits other than consultations with Customs Account Managers and Auditors for training, support, and compliance improvement purposes.
- ISA participants will not be subject to comprehensive audits, including Focused Assessments, Drawbacks, and Foreign Trade Zones, provided that internal controls are in place for each specific area.
- ISA participants may be subject to an audit or on-site review of a specific issue related to an identified trade compliance risk. In such instances, Customs and the importer will work together to determine a mutually acceptable course of action wherever possible.

FOREWORD

The North American Free Trade Agreement Implementation Act (Public Law 103 182, 107 Stat. 2057) of 1993 includes provisions for modernization of Customs operations and became known as the Customs Modernization Act (Customs Mod Act). Since the Customs Mod Act, the primary goal of Customs in the trade compliance process has been to maximize importer compliance with U.S. trade laws while at the same time facilitating the importation and entry of admissible merchandise. To meet this goal, Customs has made a comprehensive effort to review, improve, and redesign, on an ongoing basis, the trade compliance process, using established business practices, reengineered tools, and new methodologies that improve customer service without compromising the enforcement aspect of the Customs missions. One of the new methodologies developed by Customs in the Regulatory Audit area is the Importer Self-Assessment (ISA) program, which allows interested importers to assess their own compliance with Customs laws and regulations. The ISA program is primarily based on the development and use of established business practices and good internal controls designed specifically for an importer's Customs operations. The importer may structure internal controls and procedures to meet its individual needs. This Handbook is designed to provide information about the benefits and requirements of the ISA program. The Handbook provides information an importer needs to apply for the ISA program.

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1. Introduction

1.1 Purpose

Customs is committed to encouraging importers to share the responsibility for compliance with trade laws and regulations. The Importer Self-Assessment (ISA) program is a partnership between Customs and importers to maintain a high level of trade compliance. ISA is a voluntary approach to trade compliance, which provides recognition and support to participating companies.

1.2 Background

The passage of the Customs Modernization Act (Customs Mod Act) in 1993 ushered in an era of new partnership concepts between the importing community and the United States Customs Service. Under the Mod Act, Customs and the importer share the responsibility for compliance with trade laws and regulations. The importer is responsible for declaring the value, classification, and rate of duty applicable to entered merchandise, and Customs is responsible for informing the importer of its rights and responsibilities under the law.

1.3 Program Overview

The ISA program is a voluntary approach to trade compliance. It is built on knowledge, trust, and a willingness to maintain an ongoing Customs/importer relationship. The ISA program offers meaningful benefits that can be tailored to industry needs and requires that importers demonstrate readiness to assume responsibilities for managing and monitoring their own compliance through self-assessment.

The process starts with membership in Customs-Trade Partnership against Terrorism (C-TPAT). Membership in C-TPAT is a prerequisite for the ISA program, but the two programs are not otherwise linked. The ISA offers different benefits than C-TPAT.

1.4 Summary of the ISA Process

The following steps briefly summarize the ISA process. Detail on the process is provided in sections 3 and 4 below.

- An importer may apply by completing an ISA Memorandum of Understanding (MOU) and an ISA Questionnaire.
- Customs will schedule an informal meeting with the applicant for initial introductions and to answer any questions the applicant may have.
- Customs will review the application package. The review may include an on-site review.
- Customs establishes the partnership by signing the MOU when the importer has demonstrated readiness to assume the responsibilities for self-assessment.
- Under the continuing program, the importer receives the benefits of ISA participation and fulfills the continuing responsibilities of the program.

2. Program Description and Requirements

2.1 Authority

Federal Register Notice 67 FR 41298.

2.2 Accounts

An importer participating in the program may identify the business units that will participate and form the overall Account. To be eligible for ISA, the importer must be a known business to U.S. Customs and a resident party of the United States. To be a known business means that the importer has imported goods into the United States during the two years prior to the date the application is submitted. This criterion ensures that there has been sufficient interaction between the importer and Customs to allow Customs to evaluate the importer's trade patterns and compliance history in order to have a valid base to make a risk assessment.

To qualify as a resident importer, the business entity should be permanently established, located, and managed within the United States. It will carry on business and have the general authority to do so without the approval of another person outside the United States. The resident importer must maintain separate books and records for its U.S. operations, prepare separate financial statements, maintain accounts for the imported goods, and be responsible for payment of import duties and taxes.

2.3 Benefits

The ISA program provides opportunities for importers who want to demonstrate compliance and receive related benefits. The program offers meaningful benefits that can be tailored to industry needs. An Account in the ISA program will receive the following benefits:

- Customs will provide consultation, guidance, and training as requested (for compliance assistance, risk assessments, internal controls, Customs audit trails, data analysis support, etc.).
- The importer will have the opportunity to apply for coverage of multiple business units.
- The importer will be removed from audit pools established for comprehensive audits, including Focused Assessments, Drawbacks, and Foreign Trade Zones. The audit exemption will apply to each specific area when it is determined that adequate internal controls are in place. (Importers may be subject to on-site examinations for specific reasons but will not be subject to comprehensive assessments of all Customs operations.)
- The importer will have access to a hotline to OST/RAD key liaison officials.
- The importer will be entitled to receive entry summary trade data, including analysis support, from Customs.
- With respect to an importer's right to make a prior disclosure pursuant to 19 U.S.C. 1592(c) or 1593a(c) and 19 CFR 162.74 when the importer becomes aware of facts that may represent a violation of 19 U.S.C. 1592 or 1593a, an ISA participant may utilize the following process: Unless, during Customs assistance, consultation, or training with an ISA participant, Customs becomes aware of errors in which there is an indication of a fraudulent violation of 19 U.S.C. 1592 or 1593a, Customs will provide a written notice to the participant of such errors and allow 30 days from the date of the notification for the participant to assess and, if determined necessary, file a prior disclosure pursuant to 19 CFR 162.74. This benefit does not apply if the matter is already the subject of an ongoing Customs investigation.

- In the event that civil penalties or liquidated damages are assessed against an importer, the importer's participation in ISA will be considered in the disposition of the case.
 - The importer will have access to a Customs consulting team consisting of an Account Manager, Auditor, and Trade Analyst assigned to service ISA Accounts.
 - The importer will enjoy greater business certainty:
 - ✓ There will be less Customs intrusion. The importer will not be subject to comprehensive audits such as Focused Assessments.
 - ✓ Based on Customs experience, importers who implement effective internal controls are able to provide more accurate and reliable entry data, eliminating the need for filing adjusted entries to correct entry information and reducing related internal and external costs.
 - ✓ Based on Customs experience, importers with strong internal controls are more compliant. A higher level of compliance will eliminate or minimize the pressure of unexpected emergencies related to Customs operations.
 - ✓ The importer can correct Customs errors when they occur as a result of administrative errors, negligence, or gross negligence through prior disclosures or Customs post-entry procedures, without fear of unexpected penalties.
 - Additional benefits are tailored to industry needs (by mutual agreement).
- Additional information on program benefits is provided in Appendix A.

2.4 Requirements

In order to participate in the ISA program, an importer must:

- Become a member of C-TPAT;
- Complete an ISA MOU and an ISA Questionnaire;
- Agree to comply with all applicable Customs laws and regulations;
- Maintain a system of business that demonstrates the accuracy of Customs transactions:
 - ✓ Establish, document, and implement internal controls;
 - ✓ Perform periodic testing of the system based on risk;
 - ✓ Maintain results of testing for three years and make test information available to Customs on request;
 - ✓ Make appropriate adjustments to internal controls; and
 - ✓ Maintain an audit trail from financial records to Customs declarations.
- Make appropriate disclosures; and
- Submit an annual written notification to Customs to confirm the identity of the company ISA contact, and confirm that the importer continues to meet the requirements of the ISA program as specifically listed herein and in the MOU.

The Account may meet the requirements of the ISA program by using internal resources or using an objective third party exercising due diligence and reasonable care.

Additional information on program requirements is provided in Appendix B.

2.5 Customs Website

Customs maintains information about the ISA on the Customs website at <http://www.customs.gov/imp-exp1/comply/isa.htm>.

3. Application, Processing, and Acceptance

3.1 Application

Program applications will be filed by completing an MOU (Appendix C) and an ISA Questionnaire (Appendix D) in Microsoft Word format. An importer that wants to receive summary trade data (Customs import data) may file a request (Appendix E) concurrent with the MOU and Questionnaire. The completed MOU, questionnaire, and trade data request (if desired) should be submitted to Customs simultaneously. Applications may be filed electronically via email to debra.boaz@customs.treas.gov or submitted on a 1.44 MB (3½ inch) computer diskette or a compact disc to:

U.S. Customs Service
Director, Regulatory Audit Division
1300 Pennsylvania Ave., NW
Room 6.4B
Washington, DC 20229

Forms can also be obtained on the Customs website, <http://www.customs.gov/imp-exp1/comply/isa.htm>.

An authorized officer of the legal entity making the ISA application must sign the MOU. The Questionnaire must identify the name, title, phone number, and e-mail address of the contact person for the ISA program.

When the application is received, the importer will be notified of the Regulatory Audit office assigned to the file.

3.2 Memorandum of Understanding

The MOU (Appendix C) outlines importer and Customs responsibilities and identifies the company entities that will be covered by the MOU.

3.3 ISA Questionnaire

The ISA Questionnaire is required to determine if the importer has Customs internal controls in place or planned. If the importer does not have or plan to have these controls, Regulatory Audit and the Account Manager are more likely to need to consult with the importer regarding readiness to assume responsibilities of self-assessment. (See Internal Control Guidance in section 3.5 below and the ISA Questionnaire in Appendix D.)

3.4 Entry Summary Trade Data Request

The entry summary trade data request will be used to authorize the release of the importer's Customs data to its authorized representative. ISA Accounts that request their own trade data will receive the data annually. The data can be provided on a periodic basis to fit the Account's self-assessment needs and may include additional Customs analysis support.

3.5 Internal Control Guidance

Two documents have been developed to assist importers in developing and evaluating internal controls of Customs operations.

“Guidance for Developing Internal Controls” (Appendix F) is a brief explanation of components that should be part of an internal control program. This document may be appropriate for use by small importers that do not have complex organization structures or complex Customs operations.

“Internal Control Management and Evaluation Tool” (Appendix G) is a more detailed, comprehensive guide. This document may be appropriate for use by large importers that have complex organization structures or complex Customs operations.

Both documents are tools to help management and evaluators determine how well a company’s internal control is designed and functioning. The “Internal Control Management and Evaluation Tool” may help determine what, where, and how improvements, when needed, may be implemented.

Internal controls put into place in one company may vary considerably from those used in a different company. The difference may occur because of:

- (1) Variations in missions, goals, and objectives of the companies;
- (2) Differences in their environment and the manner in which they operate;
- (3) Variations in degree of organizational complexity;
- (4) Differences in company histories and culture; and
- (5) Differences in the risks that the companies face and are trying to mitigate.

Even if two companies did have the same missions, goals, objectives, and organizational structures, they would probably employ different control activities. This is because different people apply their own individual judgment in implementing internal controls. All of these factors affect a company’s internal control activities, which should be designed to contribute to the achievement of the company’s missions, goals, and objectives.

3.6 Application Processing Time

Regulatory Audit will complete the processing of applications within 90 days after receipt in Regulatory Audit headquarters. The time allowance will be suspended for incomplete applications, incorrect electronic submissions, unavailable processing resources, the importer’s delays in responding to requests for additional information, or limitations imposed by on-site reviews.

3.7 Application Review

When the ISA application is received as part of a package with a C-TPAT application, the application for ISA will be reviewed during the C-TPAT review. This review will include Customs history and known involvement with the importer.

When the ISA application is received after the C-TPAT application has been approved, the ISA application will be reviewed separately (not as part of the C-TPAT application).

The application review will include a risk assessment of the applicant and review of the application to determine the applicant’s readiness to assume responsibilities for self-assessment. In some cases an auditor may visit the importer to consult with it about controls for risk areas (see section 3.8 below).

The importer risk assessment will include an examination of the Account identified by Importer of Record number(s) on the MOU and its imports and is based on:

- Customs information about the company’s history of trade compliance, including such items as:
 - ✓ Compliance measurement data;

- ✓ Previous penalty actions;
- ✓ Previous enforcement actions;
- ✓ Regulatory audits;
- ✓ Account Manager history; and
- ✓ Other information.
- Information about the company's risk environment, such as:
 - ✓ Imports from specific suspect manufacturers or suppliers;
 - ✓ Imports from countries known as transshipment points;
 - ✓ Imports subject to quota, visa, antidumping, or other sensitive Customs issues;
 - ✓ Large volumes of imports under special duty provisions or special trade programs; and
 - ✓ Large volumes of imports under complex tariff classifications.

If the trade compliance risk assessment identifies areas of significant risk or the responses to the ISA Questionnaire indicate that the importer may not have adequate internal controls, Regulatory Audit and the Account Manager may have an on-site consultation to verify how the company plans to address that risk.

3.8 On-site Consultation

Sometime during the review of each ISA application, Customs will schedule an informal meeting with the applicant to introduce the Customs ISA representatives, explain the expectations for ISA, and answer any questions.

In some cases an auditor may visit the applicant to consult with the company or to discuss and review its internal controls. This will not be an audit. The purpose of the consultation is to determine if the applicant is ready to assume the responsibilities of self-assessment and to provide assistance and training as appropriate.

The on-site consultation process will provide an opportunity for Customs and the applicant to discuss the applicant's Customs internal controls and evaluate its readiness to assume responsibility for its own self-assessment. The consultation will be a collaborative effort to determine what controls the importer has in place specifically to address the risk areas. The consultation may include interviews with personnel responsible for functions controlling the risk areas and reviews of documents and systems used for controlling the risk areas. The consultation will not include substantive testing. If needed, the consultation will provide guidance to the company participants on the need for Customs written procedures, risk assessments, employee training in Customs requirements related to their jobs, communication of information needed for accurate Customs reporting, monitoring and testing of Customs activities, and other internal controls. The consultation process will also provide an opportunity for collaboration on a Customs audit trail. The consultation process confirms that the importer understands the scope of its responsibilities in controlling Customs risk under the ISA program and that the importer will work to improve and sustain compliance. The consultation:

- Ensures mutual understanding about the obligations associated with participation in the ISA program;
- Verifies the importer's acceptance that it will comply with the conditions of ISA; and
- Details the specific ISA operational conditions that apply to the importer for the significant risk areas.

If Customs determines that the applicant is not ready to assume the responsibilities of self-assessment, Customs will continue to work with the applicant to strengthen and improve its program. If Customs determines the applicant is ready to assume the responsibilities of self-assessment, Customs will sign the MOU.

3.9 Customs Acceptance

When the importer is determined to have adequate procedures for acceptance into the ISA program, Customs will sign the MOU and send a letter with a copy of the signed MOU to the importer. The letter will advise the importer that it has been accepted into the U.S. Customs Service ISA program.

It is important to note that acceptance into the ISA program does not signify certification of the Account's business systems or exempt the Account from sanctions under Customs laws. However, maintenance of appropriate internal controls as required by the ISA program may be considered an element of reasonable care.

3.10 Application Denial

If Customs determines that an application under ISA should not be approved and that participation in the ISA program should not be granted, the Director of Regulatory Audit will issue a written notice of denial to the importer. The notice of denial shall set forth the reasons for the denial and shall advise the importer of its right to file a written response.

If deficiencies that were the reason for denial are corrected within 90 days, the importer may forward a request, in writing, for reinstatement of the application to:

U.S. Customs Service
Director, Regulatory Audit Division
1300 Pennsylvania Ave., NW
Room 6.4B
Washington, DC 20229

A final written decision on the reinstatement request will be issued within 30 days of receipt of the importer's written request.

Importers may respond to denials, in writing, to the Assistant Commissioner, Office of Strategic Trade, at the following address:

U.S. Customs Service
Assistant Commissioner
Office of Strategic Trade
1300 Pennsylvania Ave., NW
Washington, DC 20229

4. Procedures after Acceptance

4.1 Continuing Responsibilities

Accounts accepted in the ISA program are responsible for continuing to comply with the requirements of the program as detailed in Appendix B. Specifically, they must:

- Continue as a member of C-TPAT;
- Comply with all applicable Customs laws and regulations;
- Maintain a system of business (including records, procedures, and policies) that demonstrates the accuracy of Customs transactions as described in this Handbook. Specific requirements include:
 - ✓ Maintaining internal controls appropriate to provide reasonable assurance of Customs compliance, including components of internal control as outlined in Appendix G;
 - ✓ Performing periodic testing (designed by the importer) based on risk at least annually;
 - ✓ Maintaining results of testing for three years and providing test results to Customs on request;
 - ✓ Making appropriate adjustments to internal controls when needs for improvements are identified, for example, through the self-testing program, risk assessment, or employee suggestions; and
 - ✓ Maintaining an audit trail from financial records to Customs declarations.
- Make appropriate disclosures to Customs; and
- Submit an annual written notification to Customs to confirm the identity of the importer's ISA contact, and confirm that the importer continues to meet the requirements of the ISA program as specifically listed herein and in the MOU.

Detailed information concerning C-TPAT is maintained at the Customs website, <http://www.customs.gov/tpatf.htm>.

4.2 Annual Notification

Annually, the Account will provide written notification that it is continuing to meet the requirements of the ISA program as listed in section 4.1 above. Notification should be in writing and addressed to the participant's Account Manager.

4.3 Reporting Changes to Company Customs Activities

ISA participants are required to advise the Director, Regulatory Audit, of *major* changes to the company corporate structure through reorganization, merger, acquisition, etc., that result in the need to modify existing bonds or Importer of Record numbers and suffixes. When required, such notifications will be made as soon as is practicable, but not later than 60 days after the major change has occurred or been publicly announced.

4.4 Removal from Comprehensive Audit Pools

In general, ISA participants will not be subject to any routine or periodic on-site reviews or audits, other than consultations with Customs Account Managers and Auditors for training, support, and compliance improvement purposes. Further, as noted above, ISA participants are not subject to a Focused Assessment, Drawback audit, Foreign Trade Zone audit, or any other similarly comprehensive assessment of Customs operations. The audit exemption will apply to each specific area when it is determined that

adequate internal controls are in place for each area. However, an importer may be subject to an audit or on-site review of a specific issue related to an identified trade compliance risk. In such instances, Customs and the importer will work together to determine a mutually acceptable course of action wherever possible.

5. Revocation Procedures

5.1 Participation Revocation

Customs may revoke ISA participation for the following reasons:

- Participation in the program was obtained through fraud or misstatement of fact;
- The Account is convicted of any felony or has committed acts that would constitute a misdemeanor or felony involving theft, smuggling, or any theft-connected crime;
- The Account refuses to cooperate with Customs in response to an inquiry, audit, or investigation; or
- The Account fails to fulfill the terms of the MOU.

5.2 Procedures for Revocation

An ISA participant that fails to follow the terms of the MOU, fails to exercise reasonable care in the execution of its obligations under the program, or fails to abide by applicable laws and regulations may be subject to removal from the ISA program. If Customs believes that there is a basis for proposing the removal of a participant, a written notice of proposed removal will be sent to apprise the participant of the facts or conduct warranting removal. The participant may respond to the proposed removal by writing to the Director, Regulatory Audit Division, U.S. Customs Service, 1300 Pennsylvania Avenue, NW, Washington, DC 20229, within 15 days of the date of the notice of proposed removal. The response should address the facts or conduct charges contained in the notice and should state how compliance will be achieved. Customs will issue a final written decision on the proposed removal after the 15-day response period has closed. However, in the case of willfulness or where public health interests or safety are concerned, a removal from the ISA program may be effective immediately as a final action and without opportunity for written response.

APPENDIX A. PROGRAM BENEFITS

1. Introduction

An Account in the ISA program will receive the following benefits:

- Customs will provide consultation, guidance, and training as requested (for compliance assistance, risk assessments, internal controls, Customs audit trails, data analysis support, etc.).
- The importer will have the opportunity to apply for coverage of multiple business units.
- The importer will be removed from audit pools established for comprehensive audits, including Focused Assessments, Drawbacks, and Foreign Trade Zones. The audit exemption will apply to each specific area when it is determined that adequate internal controls are in place. (Importers may be subject to on-site examinations for specific reasons but will not be subject to comprehensive assessments of all Customs operations.)
- The importer will have access to a hotline to OST/RAD key liaison officials.
- The importer will be entitled to receive entry summary trade data, including analysis support, from Customs.
- With respect to an importer's right to make a prior disclosure pursuant to 19 U.S.C. 1592(c) or 1593a(c) and 19 CFR 162.74 when the importer becomes aware of facts that may represent a violation of 19 U.S.C. 1592 or 1593a, an ISA participant may utilize the following process: Unless, during Customs assistance, consultation, or training with an ISA participant, Customs becomes aware of errors in which there is an indication of a fraudulent violation of 19 U.S.C. 1592 or 1593a, Customs will provide a written notice to the participant of such errors and allow 30 days from the date of the notification for the participant to assess and, if determined necessary, file a prior disclosure pursuant to 19 CFR 162.74. This benefit does not apply if the matter is already the subject of an ongoing Customs investigation.
- In the event that civil penalties or liquidated damages are assessed against an importer, the importer's participation in ISA will be considered in the disposition of the case.
- The importer will have access to a Customs consulting team consisting of an Account Manager, Auditor, and Trade Analyst assigned to service ISA Accounts.
- The importer will enjoy greater business certainty:
 - ✓ There will be less Customs intrusion. The importer will not be subject to comprehensive audits such as Focused Assessments.
 - ✓ Based on Customs experience, importers who implement effective internal controls are able to provide more accurate and reliable entry data, eliminating the need for filing adjusted entries to correct entry information and reducing related internal and external costs.
 - ✓ Based on Customs experience, importers with strong internal controls are more compliant. A higher level of compliance will eliminate or minimize the pressure of unexpected emergencies related to Customs operations.
 - ✓ The importer can correct Customs errors when they occur as a result of administrative errors, negligence, or gross negligence through prior disclosures or Customs post-entry procedures, without fear of unexpected penalties.
- Additional benefits are tailored to industry needs (by mutual agreement).

The following information is provided to help importers understand the benefits of participation in ISA.

2. Consultation, Guidance, and Training as Requested

Upon request, Customs will provide consultation, guidance, and training, including on-site assistance, regarding records and information required for entering, classifying, and appraising merchandise and the proper retention of such records and information. Consultation and guidance will also be offered related to compliance issues, data analysis, risk assessment, and internal controls. As appropriate for the issue, an Account Manager, an Auditor, a Trade Analyst, or a team representing several disciplines may provide assistance. Upon request, Customs auditors and other Customs disciplines will meet with the Account to evaluate Customs risk. If requested, the auditors will also assist the importer in designing systems to control significant risks. Upon request, an Auditor will provide guidance for the establishment of an audit trail, a system to provide a link from business to Customs records.

3. Coverage of Multiple Business Units

Customs will provide program benefits for multiple business units as defined by importer of record numbers. The company may apply for the business units that it wants included by including the information on the MOU.

4. Removal from Comprehensive Audit Pools

In general, ISA participants will not be subject to any routine or periodic on-site reviews or audits, other than consultations with Customs Account Managers and Auditors for training, support, and compliance improvement purposes. Further, as noted above, ISA participants are not subject to a Focused Assessment, Drawback audit, Foreign Trade Zone audit, or any other similarly comprehensive assessment of Customs operations. The audit exemption will apply to each specific area when it is determined that adequate internal controls are in place for each area. However, an importer may be subject to an audit or on-site review of a specific issue related to an identified trade compliance risk. In such instances, Customs and the importer will work together to determine a mutually acceptable course of action whenever possible.

5. Hotline to OST/RAD Key Liaison Officials

Accounts will be given a hotline to OST/RAD key liaison officials. The Hotline will allow company managers to discuss any concerns relative to the ISA program.

6. Access to the Account's Summary Trade Data

At the Account's request, Customs will provide the importer's summary trade data free of charge. Customs will provide data with preprogrammed reports designed to facilitate the Account's review and analysis of its imports. The Account can use the reports for risk assessment.

7. Expanded Benefits of Prior Disclosure

With respect to an importer's right to make a prior disclosure pursuant to 19 U.S.C. 1592(c) or 1593a(c) and 19 CFR 162.74 when the importer becomes aware of facts that may represent a violation of 19 U.S.C. 1592 or 1593a, an ISA participant may utilize the following process: Unless, during Customs assistance, consultation, or training with an ISA participant, Customs becomes aware of errors in which there is an indication of a fraudulent violation of 19 U.S.C. 1592 or 1593a, Customs will provide a written notice to the participant of such errors and allow 30 days from the date of the notification for the partici-

pant to assess and, if determined necessary, file a prior disclosure pursuant to 19 CFR 162.74. This benefit does not apply if the matter is already the subject of an ongoing Customs investigation.

8. Mitigated Penalties and Liquidated Damages

By fulfilling responsibilities under the ISA program, the Account will be taking actions that may be mitigating factors in the event it becomes subject to penalties or liquidated damages. For example, it may have programs for training employees and consultation with Customs. If penalties or liquidated damages are proposed for an area of activity, the extent to which the company has shown compliance with the terms of ISA in relation to the activity will reflect favorably and may be a mitigating factor in any Customs decision or recommendation on final case disposition.

9. Access to a Customs Consulting Team

The Account will have access to a Customs consulting team consisting of an Account Manager, Auditor, and Trade Analyst assigned to service ISA Accounts. This will afford the Account access to several disciplines within Customs and their Customs knowledge. Because ISA is an informed compliance program, the Account will be able to access these disciplines without fear of penalty actions or negative consequences.

10. Greater Business Certainty

Participation in the ISA program provides greater business certainty to the Account in the following four ways:

- ✓ There will be less Customs intrusion. The importer will not be subject to comprehensive audits such as Focused Assessments.
- ✓ Based on Customs experience, importers who implement effective internal controls are able to provide more accurate and reliable entry data, eliminating the need for filing adjusted entries to correct entry information and reducing related internal and external costs.
- ✓ Based on Customs experience, importers with strong internal controls are more compliant. A higher level of compliance will eliminate or minimize the pressure of unexpected emergencies related to Customs operations.
- ✓ The importer can correct Customs errors when they occur as a result of administrative errors, negligence, or gross negligence through prior disclosures or Customs post-entry procedures, without fear of unexpected penalties.

11. Additional Benefits

Customs will work with industry groups to provide additional benefits that are advantageous to Customs and the industry.

APPENDIX B. PROGRAM REQUIREMENTS

1. Introduction

In order to participate in the ISA program, an importer must:

- Become a member of C-TPAT;
- Complete an ISA MOU and ISA Questionnaire;
- Agree to comply with all applicable Customs laws and regulations;
- Maintain a system of business that demonstrates the accuracy of Customs transactions:
 - ✓ Establish, document, and implement internal controls;
 - ✓ Perform periodic testing of the system based on risk;
 - ✓ Maintain results of testing for three years and make test information available to Customs on request;
 - ✓ Make appropriate adjustments to internal controls; and
 - ✓ Maintain an audit trail from financial records to Customs declarations.
- Make appropriate disclosures;
- Submit an annual written notification to Customs to confirm the identity of the company ISA contact, and confirm that the importer continues to meet the requirements of the ISA program as specifically listed herein and in the MOU.

The following information is provided to help companies understand the requirements for participation in ISA.

2. Customs-Trade Partnership against Terrorism

C-TPAT is a joint government-business initiative to build cooperative relationships that strengthen overall supply chain and border security. C-TPAT recognizes that Customs can provide the highest level of security only through close cooperation with the ultimate owners of the supply chain, that is, importers, carriers, customs brokers, warehouse operators, and manufacturers. ISA is designed to be complementary to the C-TPAT program. ISA is intended to offer supplemental benefits to importers in the trade compliance area while promoting compliance by importers.

3. ISA Memorandum of Understanding and ISA Questionnaire

An importer may apply to the ISA program by completing an MOU and ISA Questionnaire.

The MOU is an agreement between the Account and Customs that establishes their respective roles and responsibilities.

The ISA Questionnaire is a brief series of questions designed to ensure that the importer has implemented or plans to implement key internal controls that are important for Customs compliance. The Questionnaire and instructions for completing it are in Appendix D.

4. Comply with All Applicable Customs Laws and Regulations

In order to join the ISA program, an importer must agree to comply with all applicable Customs laws and regulations. This requirement is designed to obtain the importer's commitment to Customs compliance.

5. Maintain a System of Business That Demonstrates the Accuracy of Customs Transactions

An importer must maintain a system of business that demonstrates the accuracy of Customs transaction. The importer needs to develop two processes in support of the system.

- First, the importer needs a framework of internal controls based on the definition and description recognized by the American Institute of Certified Public Accountants in its December 1995 Statement on Auditing Standards 78. More information on internal controls for Customs in business terminology is provided below in sections 5.a through d below and in Appendixes F and G.
- Second, the importer needs an audit trail from accounting records and payments to Customs entry records. Companies are familiar with the use of audit trails between financial records. A similar trail is needed from the financial records to Customs entries as an internal control to ensure that the importer is declaring complete, accurate information to Customs. This can be achieved by a number of methods; Customs will not set specific requirements. The objective of this process is for importers to be able to match payments and expenses to entries starting from financial records. The importer can design an audit trail process that fits its individual needs, and Customs is available to provide assistance and guidance.

a. Establish, document, and implement internal controls

Internal controls must be developed to provide reasonable assurance that the importer is compliant with Customs laws and regulations.

Internal controls must incorporate the following five interrelated components:

- *Control Environment* sets the tone of an organization. It is the foundation for other internal control components. Control environment should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward Customs compliance. This can be achieved by actions such as the following:
 - ✓ Defining a company policy supportive to Customs compliance;
 - ✓ Dealing with Customs in a cooperative, open, timely manner;
 - ✓ Committing to the competence of employees responsible for Customs activities by providing adequate training, counseling, and information;
 - ✓ Assigning Customs responsibilities to personnel with appropriate authority and information to ensure Customs compliance; and
 - ✓ Placing a high degree of importance on work with Customs.
- *Risk Assessment* is an analysis of a company's Customs operations to identify risks (what could go wrong) that may prevent Customs compliance. A risk assessment should occur at least annually. Once risks have been identified, they should be analyzed for possible effect. Management then must formulate an approach for risk management and decide on internal controls to mitigate those risks. This process may result in changes to internal controls. Risk assessments are particularly important during times of change.
- *Control Activities* are the day-to-day procedures used to achieve Customs compliance. Control activities are the policies, procedures, techniques, and mechanisms that ensure management's directives are carried out. Control activities mitigate risks identified during risk assessments and are integral to the company's planning, implementing, and reviewing processes.
- *Information and Communication* refers to the accumulation and distribution of information to people who need it to ensure Customs compliance. This component includes movement of information between functional activities and upward and downward within the organization. Pertinent information related to Customs activities is identified, captured, and distributed to the right people in sufficient detail, in the right form, and at the appropriate time to enable them to carry out their duties and

responsibilities efficiently and effectively to foster Customs compliance.

- *Monitoring* refers to oversight of quality of Customs performance. It includes both ongoing monitoring that occurs during normal operations and regular management and supervisory activities and actions that people take in performing their duties. In addition, monitoring includes separate evaluations, frequently referred to as periodic testing. Separate evaluations may be by the company's internal auditor, an external auditor, or third parties with required skills. Separate evaluations may include a review of the control design and direct testing of control activities.

Additional information on internal controls is in Appendixes F and G.

b. Perform periodic testing of the system based on risk

As explained above, periodic testing is a normal part of monitoring operations. Periodic testing is necessary to determine if objectives related to Customs compliance are being met. Testing also is important to evaluate employee performance and identify training needs. An Account in the ISA program must do some periodic testing at least annually, but it is not necessary for an Account to test all areas of Customs activity annually. The Account should develop a testing program to address the areas of highest risk based on the company's risk assessment. The Account may design its own testing program. Under the ISA program, Customs will allow flexibility and will not dictate specific testing requirements, because periodic testing is only part of an overall system of internal control and it is important that companies have the flexibility to design the program that they need. Testing may be by the company's internal auditor, an external auditor, or third parties with required skills. Each company must perform its own risk assessment, develop its own control procedures, and design its own testing program to control Customs risk. Since risk assessments will identify different risks at different times, a company may need to adjust its periodic testing in response to changing risk. Upon request, Regulatory Audit will assist Accounts in assessing risk or developing a periodic testing program.

c. Maintain results of testing for three years and make test information available to Customs on request

Customs will not continually review the company's testing program. However, the company must agree to maintain the results of testing for three years from the date of the test and must agree to make test information available to Customs on request.

d. Make appropriate adjustments to internal controls

If needs for internal control improvements are identified through any mechanism—risk assessment, information exchange, monitoring and testing, notification from Customs, etc.—appropriate changes must be made to ensure Customs compliance. In other words, if a problem that affects Customs compliance is identified, the Account must make changes to its system to control the problem.

6. Make Appropriate Disclosures

The Account agrees to submit appropriate disclosures to Customs. The Account may make these declarations through a prior disclosure, reconciliation, post-entry adjustment, supplemental information letter, or other approved Customs post-entry program.

7. Annual Written Notification

The Account agrees to provide annual written notification that it is continuing to meet requirements of the ISA program and to confirm the identify of the company contact for the ISA program with name, title,

e-mail address, and mail address. The account manager may meet with the company to discuss its ISA program.

Through the annual notification, the Account agrees to:

- Comply with all applicable Customs laws and regulations;
- Maintain a system of business (including records, procedures, and policies) that demonstrates the accuracy of Customs transactions as described in this Handbook. Specific requirements include:
 - ✓ Maintaining internal controls appropriate to provide reasonable assurance of Customs compliance, including components of internal control;
 - ✓ Performing some periodic testing (designed by the importer) based on risk at least annually;
 - ✓ Maintaining results of testing for three years and providing test results to Customs on request;
 - ✓ Making appropriate adjustments to internal controls when needs for improvements are identified; and
 - ✓ Maintaining an audit trail from financial records to Customs declarations.
- Make appropriate disclosures to Customs; and
- Continue to submit an annual written notification to Customs to confirm the identity of the company ISA contact, and confirm that it continues to meet the requirements of the ISA program as specifically listed herein and in the MOU.

8. Program Feedback for Modification and Improvement

In addition, Accounts are encouraged to submit feedback to Customs about the ISA program and the internal control process. Exchange of information between Customs and the Account is an important aspect of the ISA program and will be necessary for the continued evolution and improvement of the program for the benefit of Customs and the Account.

Customs is interested in aspects of the program that should be improved, modified, or changed based on company experience to make the program more efficient and realistic to meet company and Account expectations and needs. Customs will also use the feedback to acknowledge Accounts that deserve special recognition for accomplishments, development of special processes, etc.

Customs is interested in feedback on such items as:

- The relative value of different aspects of the program;
- The effectiveness of risk assessment as a control for Customs operations;
- Communication processes that work well between departments or with external agents;
- Monitoring practices that have been most effective;
- Examples of improved operations or cost-saving opportunities resulting from education or other internal control activities;
- Any aspects for which the Account would like to receive recognition; and
- Any aspects to which the Account recommends modifications or changes.

Actual experience by the Accounts will help Customs to continuously improve the ISA process and other compliance programs. It will also help us to recognize good practices, develop good models and examples of internal controls, and minimize or eliminate aspects of the program that are not contributing to Customs compliance.

The Account may submit feedback electronically or by mail to its Regulatory Audit contact or can request a meeting with Customs to discuss its feedback.

If an Account does not provide feedback on the program at least biannually, the Account Manager will follow up with the company to obtain relevant information about the Account's experiences with ISA.

9. Continuing Responsibilities

ISA participants are responsible for ensuring that they continue to comply with the requirements of the program as explained in detail in this appendix.

ISA participants are also responsible for continuing to meet the requirements of the ISA MOU (see Appendix C), which include an annual notification to Customs. In connection with this notification, Customs will determine if additional discussions or reviews of company controls or documentation are necessary. In general, ISA participants will not be subject to any routine or periodic on-site reviews or audits, other than consultations with Customs account managers and auditors for training, support, and compliance improvement purposes. Further, as noted above, ISA participants are not subject to a Focused Assessment, Drawback audit, Foreign Trade Zone audit, or any other similarly comprehensive assessment of Customs operations. The audit exemption will apply to each specific area when it is determined that adequate internal controls are in place for each area. However, a company may be subject to an audit or on-site review of a specific issue related to an identified trade compliance risk. In such instances, Customs and the company will work together to determine a mutually acceptable course of action wherever possible.

APPENDIX C. UNITED STATES CUSTOMS SERVICE IMPORTER SELF-ASSESSMENT MEMORANDUM OF UNDERSTANDING

(Company name) requests to participate in the Importer Self-Assessment (ISA) program. We acknowledge that the primary objective of the ISA program is to maintain a high level of trade compliance through a cooperative Customs/Trade partnership. This agreement is made between _____, hereafter referred to as the Account and the United States Customs Service, hereafter referred to as Customs.

The Account and Customs recognize the need to jointly address trade issues in order to maintain an efficient and compliant import process. This memorandum of understanding is designed to strengthen the Account's ability to maintain a high level of compliance with Customs requirements through effective internal controls of Customs activities and a cooperative interchange of ideas and information with Customs.

The ISA program represents an opportunity to establish a joint informed compliance effort, in a process built on knowledge, trust, and the desire to maintain an ongoing Customs/Account relationship. The ISA program provides Customs with the means to recognize and support the Account's efforts to achieve compliance and offers the Account the opportunity to demonstrate compliance and receive related benefits.

This memorandum of understanding does not exempt the Account from statutory penalties or sanctions in the event of noncompliance. However, the extent to which the Account has shown compliance with the terms of this memorandum of understanding will reflect favorably and may be a mitigating factor toward any Customs decision or recommendation on final case disposition.

The following are the Account's and Customs responsibilities under this memorandum of understanding. More specific information detailing the roles and responsibilities of the Account and Customs are provided in the ISA Handbook.

Account Roles and Responsibilities

- Become a member of the Customs-Trade Partnership against Terrorism (C-TPAT).
- Complete an ISA Questionnaire.
- Comply with all applicable Customs laws and regulations.
- Maintain a system of business (including records, procedures, and policies) that demonstrates the accuracy of Customs transactions as described in the ISA Handbook. Specific requirements include:
 - ✓ Maintaining internal controls appropriate to provide reasonable assurance of Customs compliance, including components of internal control;
 - ✓ Performing some periodic testing (designed by the importer) based on risk at least annually;
 - ✓ Maintaining results of testing for three years and providing test results to Customs on request;
 - ✓ Making appropriate adjustments to internal controls when needs for improvements are identified; and
 - ✓ Maintaining an audit trail from financial records to Customs declarations.
- Make appropriate disclosures to Customs; and
- Submit an annual written notification to Customs to confirm the identity of the company ISA contact

and confirm that the importer continues to meet the requirements of the ISA program as specifically listed in this MOU and the ISA Handbook.

U.S. Customs Roles and Responsibilities

- Customs will provide consultation, guidance, and training as requested (for compliance assistance, risk assessments, internal controls, Customs audit trails, data analysis support, etc.).
- Customs will provide the opportunity to apply for coverage of multiple business units.
- Customs will remove the Account from audit pools established for comprehensive audits, including Focused Assessments, Drawbacks, and Foreign Trade Zones. The audit exemption will apply to each specific area when it is determined that adequate internal controls are in place for each area. (Accounts may be subject to on-site examinations for specific reasons but will not be subject to comprehensive assessments of all Customs operations.)
- Customs will furnish a Hotline to OST/RAD key liaison officials.
- If requested, Customs will provide the Account's summary trade data (the Account can elect to receive the data annually automatically without fees).
- With respect to an importer's right to make a prior disclosure pursuant to 19 U.S.C. 1592(c) or 1593a(c) and 19 CFR 162.74 when the importer becomes aware of facts that may represent a violation of 19 U.S.C. 1592 or 1593a, an ISA participant may utilize the following process: Unless, during Customs assistance, consultation, or training with an ISA participant, Customs becomes aware of errors in which there is an indication of a fraudulent violation of 19 U.S.C. 1592 or 1593a, Customs will provide a written notice to the participant of such errors and allow 30 days from the date of the notification for the participant to assess and, if determined necessary, file a prior disclosure pursuant to 19 CFR 162.74. This benefit does not apply if the matter is already the subject of an ongoing Customs investigation.
- In the event that civil penalties or liquidated damages are assessed against an importer, the importer's participation in ISA will be considered in the disposition of the case.
- Customs will assign the Account to a Customs consulting team consisting of an Account Manager, Auditor, and Trade Analyst assigned to service ISA Accounts.
- Customs will agree to treat documents and records as confidential business records.
- Customs will provide additional benefits tailored to industry needs (by mutual agreement).

This memorandum of understanding governs activities by the following importers under the identified Importer of Record (IR) numbers.

COMPANY NAME	ADDRESS	IR NUMBER(S)

The Account may use third parties to fulfill roles and responsibilities of this agreement.

This agreement shall enter into force upon each party's signature and shall remain in effect until notification of termination or failure to perform as agreed to.

IN WITNESS WHEREOF, the undersigned, being duly authorized, have signed this agreement.

FOR THE U.S. CUSTOMS SERVICE

FOR THE ACCOUNT

Signature

Signature

Title

Title

Date

Date

APPENDIX D. ISA QUESTIONNAIRE

Applicants for the ISA Program will complete the ISA Questionnaire. The following instructions are provided to help importers complete the ISA Questionnaire.

Company Name:

Enter the name of the legal entity that is applying to the Importer Self-Assessment (ISA) program.

Importer of Record No.:

Enter the Importer of Record number of the legal entity that is applying to the ISA program. This identifies the entity that will receive the benefits of the ISA program. Multiple numbers may be entered.

Business Year:

Enter the 12-month reporting period that designates the financial year for the legal entity that is applying to the ISA program.

Signature of Company Contact:

The company contact who will be the Account representative for ISA must sign the ISA Questionnaire.

Title of Company Contact:

The title is the corporate position of the company contact who signs the questionnaire.

Date:

This is the date the questionnaire is signed.

Phone No.:

This is the phone number of the contact person.

E-mail Address:

This is the e-mail address of the contact person, if available.

Business Address:

This is the mail address of the contact person.

Guide:

The questions under this column are designed as a guide to allow Customs to determine if the applicant is ready to assume the responsibilities of self-assessment. The questions are designed to determine if the importer has made a commitment to institute specific actions (internal controls) that will enhance compliance. An importer that does not have procedures and controls in place may answer that it plans to implement controls and specify a target date for implementation.

Response (yes or no):

Respond yes or no in this column to indicate whether you have implemented procedures and controls in response to the question. If you have adequate procedures and controls so that you believe that you are ready to assume the responsibilities of self-assessment, answer yes to the question. If you do not have adequate procedures, whether they are generally adequate or need significant improvement, answer no under this column and show in the next column that you plan to implement procedures that will be adequate for you to assume responsibilities of self-assessment.

If No, Plan to Implement or Improve (yes or no):

If you indicated no under the previous column, respond yes or no in this column to indicate whether you plan to implement or improve controls. Whether your controls are generally adequate but need small improvements, or need significant improvements, you can be accepted into ISA if you commit to making necessary improvements. If you agree to make needed improvements, respond yes in this column. If you do not have or plan to have these controls, Regulatory Audit and the Account Manager are more likely to need to consult with you relative to your readiness to assume responsibilities of self-assessment.

Target Date:

If you indicated that you are going to implement controls under the previous column, provide the target date to have the controls implemented and working in this column.

Guidance for Questions:

Guidance on the program requirements and questions in the questionnaire, including guidance on internal controls, is in Appendix B. Additional guidance on internal controls is in Appendixes F and G. If you have additional questions, submit them to the Customs website: <http://www.customs.gov/imp-exp1/comply/isa.htm>.

Company Name: _____

Importer of Record No.: _____

Business Year: _____

Signature of Company Contact: _____

Title of Company Contact: _____

Date: _____

Phone No.: _____

E-mail Address: _____

Business Address: _____

Guide	Response (yes or no)	Plan to Implement or Improve (yes or no)	Target Date
1. Does your company maintain an internal Customs office dedicated to maintaining and updating regulations, laws, and procedures that will affect your Customs operations?			
2. If not in house, do you have a contract with a Customs brokerage house or consulting service to provide this advisory assistance?			
3. Do you maintain an audit trail from accounting records and payments to Customs entry records?			
<p>4. Are your Customs internal control processes consistent with the five interrelated components of internal control as defined by the American Institute of Certified Public Accountants? See Statement on Auditing Standards 78, dated December 1995, effective January 1, 1997 (Consideration of Internal Control in a Financial Audit: An Amendment to SAS No. 55 – AICPA Statement on Auditing Standards).</p> <ul style="list-style-type: none"> • Control environment • Risk assessment • Control activities • Information and communication • Monitoring 			
5. Are the Customs internal control procedures implemented in the company divisions that participate in or effect importation of merchandise?			
6. Have you identified Customs risks related to your company's import operations?			

Guide	Response (yes or no)	Plan to Implement or Improve (yes or no)	Target Date
7. Does your company have procedures to monitor and correct compliance deficiencies?			
8. Has your organization set up a plan to perform periodic testing (at least an annual review of significant risk areas) in the company's divisions that have an effect on imported merchandise?			
9. Do you have interdepartmental meetings to discuss and coordinate changes to your Customs internal control system when tests or other information show a need for compliance improvement?			
10. Do you have an assigned officer who will initiate appropriate disclosures to Customs when indicated through system testing?			
11. Are system tests and Customs internal control processes documented and retained by your company?			
12. Is your internal control documentation, including tests and test results, maintained for three years and available for Customs review?			

APPENDIX E. ENTRY SUMMARY TRADE DATA REQUEST

Confidential

(Date)

Director, Analytical Development Division
U.S. Customs Service – Office of Strategic Trade
9th Floor, North
National Place
1300 Pennsylvania Avenue, NW
Washington, DC 20229

Re: Entry Summary Trade Data Request for ISA Account

Dear Sir or Madam:

This request is submitted on behalf of _____. We respectfully request a listing of all import transactions entered by _____ under the company importer of record number(s) over the last business year, in electronic format.

Description

We request that this electronic entry summary data, maintained by the Office of Strategic Trade, be provided on an entry line level for all entries filed between (month, day, year) and (month, day, year) for the following Importer Identification Number:

Name

Number

Please provide the data in electronic format on computer disk, CD-ROM, or electronic mail, whichever is most convenient for you.

Mailing Address of Request

The electronic files should be mailed to the following address:

Electronic mail: _____

Waiver of Right to Review Documents

We do not wish to inspect the requested documents before they are mailed to the referenced address.

Payment

We understand that we will receive the data without fees as long as we are an ISA Account.

Recurring Receipt of Data

We would like to continue to receive the data annually without fee and without submitting additional requests. We request that data for (month, day) through (month, day) of each year be submitted as soon as it becomes available each year.

Conclusion

Thank you in advance for your attention to this matter. If you have any questions concerning this request, please call me at _____.

Sincerely,

(Name)

(Title)

APPENDIX F. GUIDANCE FOR DEVELOPING INTERNAL CONTROLS

The following guidance is provided to assist a company in developing adequate internal controls. Please note that the list is not all-inclusive, and that Importer Self-Assessment (ISA) Accounts may design their program to fit the circumstances, conditions, and risks relevant to the situation of the company. A more extensive guide, which could be useful to large or complex companies, is available in Appendix G. Customs Auditors will assist ISA Accounts if requested in development of controls that will meet both company and government needs. Systems of internal controls should contain the following components:

Control Environment: The company establishes and maintains an environment that supports Customs compliance, including fostering a system that supports compliance, maintaining competent personnel, and maintaining an organizational structure that supports compliance.

Management conveys the message that integrity and ethical values must not be compromised. Management and employees have a positive and supportive attitude toward Customs internal controls and conscientious management of Customs-related operations. Management has a philosophy and operating style that is appropriate to the development and maintenance of effective internal controls for Customs, as evidenced by the following:

- A commitment to the competence of personnel responsible for Customs-related activities. The company educates and trains employees about Customs programs that are affected by the employees' jobs. The employees should be educated on the importance of Customs activities related to or affected by their job and the possible impact of errors. The employees should be trained adequately to successfully perform the job.
- The company's organizational structure and the way in which it assigns authority and responsibility for Customs operations contribute to effective internal controls.
- The company's management cooperates with auditors, does not attempt to hide known problems from them, and values their comments and recommendations.

Risk Assessment: The company identifies risks to the goal of Customs compliance, analyzes them for possible effects, and designs control activities to manage those risks. The company has established clear and consistent company-wide objectives and supporting activity-level objectives related to Customs activities. The following evidences risk assessment activities:

- Management has made a thorough identification of risks pertaining to Customs activities, from both internal and external sources, which may affect the ability of the company to meet those objectives.
- An analysis of those risks has been performed, and the company has developed an appropriate approach for risk management.
- Mechanisms are in place to identify changes that may affect the company's ability to achieve its missions, goals, and objectives related to Customs activities.

Control Activities: The company documents and implements policies and procedures and other control activities to ensure complete and accurate reporting to Customs as well as compliance with other Customs requirements. Procedures should include the correct reporting of information for value, classification, special trade programs, special duty provisions, and other Customs issues such as quotas, antidumping duties, and countervailing duties.

Appropriate policies, procedures, techniques, and control mechanisms must be developed and in place to ensure adherence to established Customs requirements. The following evidences control activities:

- Proper control activities have been developed and documented for each of the company's Customs activities.
- The control activities identified as necessary are actually being applied properly.
- All documentation of transactions and records are properly managed, maintained, and reviewed as necessary.
- Control procedures are reviewed and revised as necessary.

Information and Communication: The company establishes and maintains processes to ensure that relevant, reliable information pertaining to Customs is recorded and communicated through the organization to those who need it and that information provided to Customs is complete and accurate.

Information systems are in place to identify and record pertinent operational and financial information relevant to Customs activities. Management ensures that effective internal communications take place. The company employs various forms of communications appropriate to its needs and manages, develops, and revises its information systems in a continual effort to improve communications. The following evidences effective information and communication for Customs:

- Appropriate information is identified, recorded, and communicated to management responsible for Customs activities and others within the company who need it, in a form that enables them to carry out their duties and responsibilities efficiently and effectively.
- Effective external communications occur with groups that can affect the achievement of the company's missions, goals, and objectives related to Customs activities.
- Individual roles and responsibilities for Customs activities are communicated through policy and procedure manuals.

Monitoring: The company monitors its Customs activities to assess the quality of performance over time and ensure that issues and deficiencies are promptly resolved and that procedures are corrected to prevent recurrence. Monitoring will include some testing of Customs compliance on a periodic basis. Results of testing will be maintained for three years and will be provided to Customs on request. Company internal control monitoring assesses the quality of performance related to Customs activities over time. The following evidences monitoring:

- Procedures to monitor internal controls occur on an ongoing basis as a part of the process of carrying out regular activities.
- Separate evaluations of internal controls are periodically performed, and deficiencies found are investigated.
- Procedures are in place to ensure that the findings of all audits and other reviews are promptly evaluated, decisions are made about the appropriate response, and actions are taken to correct or otherwise resolve the issues promptly.

If you would like to know more about risk assessment and internal controls of Customs activities, extensive additional guidance and information is contained in the Focused Assessment Technical Guides available on the Customs website at <http://www.customs.treas.gov/impexpo/impexpo.htm>.

APPENDIX G. INTERNAL CONTROL MANAGEMENT AND EVALUATION TOOL

Introduction

This document is an Internal Control Management and Evaluation Tool. Although use of this tool is not required, it is intended to help management and evaluators determine how well a company's internal control is designed and functioning and to help determine what, where, and how improvements, when needed, may be implemented. This is a good tool for auditors to use when developing questions and conducting interviews with company personnel, particularly in large, complex companies.

The tool is presented in five sections corresponding to the five components of internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring.

Space is provided beside each issue for the user to note comments or describe the circumstances affecting the issue. Comments and descriptions usually will not be of the "yes/no" type, but will generally include information on how the company does or does not address the issue. This tool is intended to help users reach a conclusion about the company's internal control as it pertains to the particular component.

This tool could be useful in assessing internal control in compliance with laws and regulations. It could also be useful in assessing internal control as it relates to various Customs activities within a company.

This tool is not authoritative but is intended as a supplemental guide that managers and evaluators may use in assessing the effectiveness of internal control and identifying important aspects of control in need of improvement. Users should keep in mind that this tool is a starting point and that it can and should be modified to fit the circumstances, conditions, and risks relevant to the situation of the company. Not all of the issues need to be considered for every company or activity.

1. Control Environment

According to the first internal control component, which relates to control environment, management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management. Several key factors affect the accomplishment of this goal. Management and evaluators should consider each of these control environment factors when determining whether a positive control environment has been achieved.

The factors that should be focused on are listed below. Management and evaluators should concentrate on the substance of controls rather than their form, because controls may be established but not acted upon.

Internal Control Point	Comments/ Descriptions
<i>Integrity and Ethical Values</i>	
1. Management has promoted a climate that emphasizes integrity and ethical behavior by its Import Department employees. The company employs a code of conduct that emphasizes proper behavior and sets penalties for unethical conduct.	
2. Dealings with Customs are conducted on a high ethical plane. <ul style="list-style-type: none"> • Reports to Customs are proper and accurate (not intentionally misleading). • Management cooperates with auditors and other evaluators, does not attempt to hide known problems from them, and values their comments and recommendations. 	
3. The company has a well-defined and -understood process for dealing with Customs requests and concerns in a timely and appropriate manner.	
<i>Commitment to Competence</i>	
1. Management has performed analyses of the knowledge, skills, and abilities needed to perform Customs-related jobs in an appropriate manner.	
2. The company provides training and counseling in order to help employees maintain and improve their competence for jobs relating to Customs. <ul style="list-style-type: none"> • There is an appropriate training program to meet the needs of employees. • The company emphasizes the need for continuing training and has a control mechanism to help ensure that all employees actually received appropriate training. 	
<i>Management's Philosophy and Operating Style</i>	
1. The company has a written policy on Customs compliance.	
2. Management employs a philosophy that emphasizes the correct reporting of information to Customs.	

Internal Control Point	Comments/ Descriptions
3. Management places a high degree of importance on retaining competent personnel in key functions over its Customs transactions.	
4. The company Import Department has adequate authority to interact with other offices as needed, and strong synchronization and coordination exist between the Import Department and other departments with responsibilities or information related to Customs activities.	
5. Management places a high degree of importance on the work of Customs officers, external audits, and other evaluations and studies with Customs information and is responsive to information from such officers.	
6. There is appropriate interaction between management of the company Import Department and senior management.	
<i>Organizational Structure</i>	
1. The company's Import Department is appropriately located within the organization.	
2. Key areas of authority and responsibility relative to Customs activities are defined and communicated throughout the organization. Consider the following: <ul style="list-style-type: none"> • Executives in charge of major activities or functions are fully aware of their duties and responsibilities. • Executives and key managers understand their internal control responsibilities and ensure that their staff also understand their own responsibilities. 	
<i>Assignment of Authority and Responsibility</i>	
1. The company appropriately assigns authority and delegates responsibility for Customs activities to the proper personnel to deal with organizational goals and objectives.	

Internal Control Point	Comments/ Descriptions
<ul style="list-style-type: none"> Authority and responsibility are clearly assigned throughout the organization and clearly communicated to employees. Responsibility for decision making is clearly linked to the assignment of authority and responsibility. 	
2. Each employee knows how his or her actions related to Customs activities relate to others' actions and is aware of his or her related duties concerning Customs internal control.	
3. Delegation of authority is appropriate in relation to the assignment of responsibility for Customs activities. <ul style="list-style-type: none"> Employees at the appropriate level are empowered to correct problems or implement improvements. There is an appropriate balance between the delegation of authority at lower levels to "get the job done" and the involvement of senior-level personnel. 	
<i>Human Resource Policies and Practices</i>	
1. Employees' responsibilities for Customs activities are properly supervised.	
<i>Oversight Groups</i>	
1. Within the company, mechanisms are in place to monitor and review operations and programs. <ul style="list-style-type: none"> The company has a committee or senior management council that reviews internal audit work of Customs activities. The internal audit function reviews the company's Customs activities and systems and provides information, analyses, appraisals, recommendations, and counsel to management. 	

2. Risk Assessment

The second internal control component addresses risk assessment. A precondition to risk assessment is the establishment of clear, consistent company goals and objectives at both the entity level and the activity level. Once the objectives have been established, the company needs to identify the risks that could impede the efficient and effective achievement of those objectives. Internal control should provide for an assessment of the risks the company faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then must formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable Customs reporting, and compliance with laws and regulations. A manager or evaluator will focus on management's processes for setting objectives, risk identification, risk analysis, and management of risk during times of change. Listed below are factors a user might consider.

Internal Control Point	Comments/ Descriptions
<i>Establishment of Activity-Level Objectives</i>	
1. Company Customs office objectives are linked with company objectives.	
<i>Risk Identification</i>	
1. Management identifies Customs risk. <ul style="list-style-type: none"> • Qualitative and quantitative methods are used to identify risk and determine relative risk rankings on a scheduled and periodic basis. • How risk is to be identified, ranked, analyzed, and mitigated is communicated to appropriate staff. • Risk identification and discussion occur in senior-level management meetings. • Risk identification takes place as part of short- and long-term forecasting and strategic planning. • Risk identification occurs as a result of consideration of findings from audits, evaluations, and other assessments. 	
2. Adequate mechanisms exist to identify risks to Customs activities arising from external factors. Consider the risks: <ul style="list-style-type: none"> • Arising from changing needs or expectations by Congress, Customs officials, or the public. • Posed by new legislation, regulations, rulings, and court decisions. 	

Internal Control Point	Comments/ Descriptions
<ul style="list-style-type: none"> • Resulting from business, political, or economic changes. • Associated with major suppliers, brokers, contractors, and agents. • Resulting from interactions with other companies and outside parties. 	
<p>3. Adequate mechanisms exist to identify risks to Customs activities arising from internal factors. Consider the risks:</p> <ul style="list-style-type: none"> • Resulting from downsizing operations and personnel. • Associated with major changes of operating processes, foreign sourcing, or importing operations. • Resulting from new lines, products, or other business activities. • Associated with restructuring and reorganizations. • Posed by disruption of information systems. • Posed by highly decentralized Customs operations. • Posed by personnel turnover or personnel who are not adequately qualified and trained. • Resulting from heavy reliance on agents or other parties to perform critical company operations. • Resulting from rapid growth or expansion of import operations. 	
<p>4. Management assesses other factors, such as a history of compliance problems.</p>	
Risk Analysis	
<p>1. After Customs risks have been identified, management should undertake an analysis of their possible effect. Consider the following:</p> <ul style="list-style-type: none"> • Management has established a formal or informal process to analyze risks. • Criteria have been established for determining low, medium, and high risks. • Appropriate levels of management and employees are involved in the risk analysis. • Risks identified and analyzed are relevant to the corresponding activity objective. 	

Internal Control Point	Comments/ Descriptions
<ul style="list-style-type: none"> • Risk analysis includes estimating the risk's significance and sensitivity. • Risk analysis includes estimating the likelihood and frequency of occurrence of each risk (susceptibility) and determining whether it falls into the low-, medium-, or high-risk category. • A determination is made on how best to manage or mitigate the risk and what specific actions should be taken. 	
<p>2. Management has developed an approach for risk management related to Customs compliance and control based on how much risk can be prudently accepted. Consider the following:</p> <ul style="list-style-type: none"> • The approach will vary from company to company based on the company's Customs activities. • The approach is designed to keep risks within levels judged to be appropriate, and management takes responsibility for setting the tolerable risk levels. • Specific control activities are decided upon to manage or mitigate specific risks, and their implementation is monitored. 	
<i>Managing Risks During Change</i>	
<p>1. The company has mechanisms in place to anticipate, identify, and react to risks presented by changes in government, economic, industry, regulatory, operating, or other conditions that can affect Customs compliance.</p>	
<p>2. The company gives special attention to risks presented by changes that can have a more dramatic and pervasive effect on Customs compliance. The company is attentive to risks related to:</p> <ul style="list-style-type: none"> • Changes in Customs information systems. • Rapid growth and expansion or rapid downsizing. • Imports under Customs programs and activities that are new to the company. • Imports from a new geographical area. 	

3. Control Activities

The third internal control component addresses control activities. Internal control activities are the policies, procedures, techniques, and mechanisms that help ensure that management's directives to mitigate risks identified during the risk assessment process are carried out. Control activities are an integral part of the company's planning, implementing, and reviewing processes.

Control activities occur at all levels and functions of the company. They include a wide range of diverse activities, such as approvals, authorizations, verifications, reconciliations, performance reviews, security activities, and the production of records and documentation. A manager or evaluator should focus on control activities in the context of the company's management directives to address risks associated with established objectives for each significant activity. Therefore, a manager or evaluator will consider whether control activities relate to the risk assessment process and whether they are appropriate to ensure that management's directives are carried out. In assessing the adequacy of internal control activities, a reviewer should consider whether the proper control activities have been established, whether they are sufficient in number, and the degree to which they are operating effectively. This analysis and evaluation should also include controls over computerized information systems. A manager or evaluator should consider not only whether established control activities are relevant to the risk assessment process, but also whether they are being applied properly.

Given the wide variety of control activities that companies may employ, it would be impossible for this tool to address them all. However, there are some general, overall points to be considered by managers and evaluators, as well as several major categories or types of control activity factors that are applicable at various levels throughout practically all companies. In addition, some control activity factors are specifically designed for information systems. These factors and related issues are listed below to illustrate the range and variety of typical control activities.

Internal Control Point	Comments/ Descriptions
<i>General Application</i>	
<ol style="list-style-type: none"> Appropriate policies, procedures, techniques, and mechanisms exist with respect to Customs activities. <ul style="list-style-type: none"> All relevant objectives and associated risks have been identified in relation to the risk assessment and analysis function of internal control. Management has identified the actions and control activities needed to address the risks and directed their implementation. 	
<ol style="list-style-type: none"> Control activities identified as necessary are in place and being applied. Consider the following: <ul style="list-style-type: none"> Control activities described in policy and procedures manuals are actually applied and applied properly. Supervisors and employees understand the purpose of internal control activities. Supervisory personnel review the functioning of control activities. 	

Internal Control Point	Comments/ Descriptions
<ul style="list-style-type: none"> Timely action is taken on exceptions, implementation problems, or information that requires follow-up. 	
<i>Common Categories of Control Activities</i>	
<p>1. Management tracks Customs compliance in relation to goals.</p> <ul style="list-style-type: none"> Managers at all activity levels review performance reports, analyze trends, and measure results against targets. Appropriate control activities are employed, such as reconciliations of summary information to supporting detail. 	
<p>2. The company effectively manages its workforce to achieve Customs compliance.</p> <ul style="list-style-type: none"> Procedures are in place to ensure that personnel with appropriate competencies are recruited and retained. Employees are given orientation, training, and tools to perform their duties and responsibilities, improve their performance, and meet the demands of changing organizational needs. Qualified and continuous supervision is provided to ensure that internal control objectives are being met. 	
<p>3. The company employs a variety of controls of Customs activities to ensure accuracy and completeness of information processing.</p>	
<p>4. The company has established and monitors performance measures and indicators for Customs activities.</p> <ul style="list-style-type: none"> Actual performance data are continually compared and analyzed against expected or planned goals. Unexpected results or unusual trends are investigated to identify circumstances where achievement of goals for Customs compliance is threatened. Corrective action is taken. 	
<p>5. Customs transactions and other significant events are properly classified and promptly recorded so that they maintain their relevance, value, and usefulness to management in controlling operations and making decisions.</p>	

Internal Control Point	Comments/ Descriptions
6. Only authorized individuals can make adjustments to Customs information.	
7. Internal control and all transactions and other significant events related to Customs activities are clearly documented. <ul style="list-style-type: none"> • Written documentation exists for the company's internal control structure and all significant transactions and events. • Documentation is readily available for examination. • Documentation for internal control includes identification of the company's activity-level functions and related objectives and control activities and appears in management directives, administrative policies, accounting manuals, and other such manuals. • Documentation of transactions and other significant events is complete and accurate and facilitates tracing the transaction or event and related information from before it occurs, through its processing, to after it is completed. • Documentation, whether in paper or electronic form, is useful to managers in controlling their operations and to auditors and others involved in analyzing operations. • All documentation and records are properly managed, maintained, and periodically updated. 	
8. This analysis and evaluation should also include controls over computerized information systems.	

4. Information and Communication

According to the fourth internal control component, for a company to run and control its operations, it must have relevant, reliable information relating to external as well as internal events. That information should be recorded and communicated to management and others within the company who need it in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. Managers and evaluators should consider the appropriateness of information and communication systems to the organization's needs and the degree to which they accomplish the objectives of internal control. Listed below are factors to consider. The list is a starting point. It is not all-inclusive, nor will every item apply to every company or activity within the company. Even though some of the functions and points may be subjective in nature and require the use of judgment, they are important in collecting appropriate data and information and in establishing and maintaining good communication.

Internal Control Point	Comments/ Descriptions
Information	
1. Information related to Customs activities from internal and external sources is obtained and provided to management as a part of the company's reporting on operational performance relative to established objectives.	
2. Pertinent information related to Customs activities is identified, captured, and distributed to the right people in sufficient detail, in the right form, and at the appropriate time to enable them to carry out their duties and responsibilities efficiently and effectively.	
<p>3. Management ensures that effective internal communications occur related to Customs activities.</p> <ul style="list-style-type: none"> • Employees understand the aspects of internal control, how their role fits into it, and how their work relates to the work of others. • Employees are informed that when the unexpected occurs, they must pay attention not only to the event but also to the underlying cause, so that potential internal control weaknesses can be identified and corrected before they can do further harm. • Mechanisms exist to allow the easy flow of information down, across, and up the organization and between functional activities. • Informal or separate lines of communications exist to serve as a "fail-safe" control for normal communications avenues. • Mechanisms are in place for employees to recommend improvements in operations. 	
<p>4. Management ensures that effective external communications occur with groups that can have a serious impact on Customs compliance.</p> <ul style="list-style-type: none"> • Open and effective communications have been established with customers, suppliers, consultants, brokers, and others who can provide significant input relative to Customs compliance. • Management makes certain that advice, rulings, and recommendations from Customs officers are fully considered and that actions are implemented to correct any problems or weaknesses they identify. 	

Internal Control Point	Comments/ Descriptions
<i>Forms and Means of Communication</i>	
1. The company employs many and various forms and means of communicating important information with employees and others (policies and procedures manuals, memorandums to staff, regular meetings with staff, etc.).	

5. Monitoring

Monitoring is the final internal control component. Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly addressed. In considering the extent to which the continued effectiveness of internal control is monitored, both ongoing monitoring activities and separate evaluations of the internal control system, or portions thereof, should be considered. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions that people take in performing their duties. Separate evaluations are a way to take a fresh look at internal controls by focusing directly on their effectiveness at a specific time. These evaluations may take the form of self-assessments as well as review of control design and direct testing, and may include the use of this Management and Evaluation Tool or some similar device. In addition, monitoring includes policies and procedures for ensuring that any audit and review findings and recommendations are brought to the attention of management and are resolved in a timely manner. Managers and evaluators should consider the appropriateness of the company's internal control monitoring and the degree to which it helps them accomplish their objectives.

Internal Control Point	Comments/ Descriptions
<i>Ongoing Monitoring</i>	
1. Management has a strategy to ensure that ongoing monitoring of Customs activities is effective and will trigger separate evaluations where problems are identified or systems are critical and testing is periodically desirable. <ul style="list-style-type: none"> • Management's strategy provides for routine feedback and monitoring of performance and control objectives. • The monitoring strategy includes identification of critical operational Customs-related systems that need special review and evaluation. • The strategy includes a plan for periodic evaluation of control activities for critical Customs activities. 	

Internal Control Point	Comments/ Descriptions
2. In the process of carrying out their regular activities, company personnel obtain information about whether internal control is functioning properly.	
3. Communications from external parties corroborate internally generated data or indicate problems with internal control. <ul style="list-style-type: none"> Communications from Customs officers about compliance or other matters that reflect on the functioning of internal control are used for follow-ups on any problems indicated. 	
4. Meetings with employees are used to provide management with feedback on whether internal controls are effective.	
<i>Separate Evaluations</i>	
1. Scope and frequency of separate evaluations of internal control are appropriate for the company. <ul style="list-style-type: none"> Risk assessment results and the effectiveness of ongoing monitoring determine the scope and frequency of separate evaluations. Separate evaluations may be prompted by events such as major strategies, expansions, downsizing, etc. Appropriate portions or sections of internal controls are evaluated regularly. Personnel with required skills, who may include the company's internal auditor or an external auditor, conduct separate evaluations. 	
2. The methodology for evaluating the company's internal control is logical and appropriate. Consider the following: <ul style="list-style-type: none"> The methodology used may include self-assessments using checklists, questionnaires, or other such tools, and it may include the use of this Management and Evaluation Tool or some similar device. The separate evaluations may include a review of the control design and direct testing of the internal control activities. The evaluation team develops a plan for the evaluation process to ensure a coordinated effort. 	

Internal Control Point	Comments/ Descriptions
<ul style="list-style-type: none"> • If company employees conduct the evaluation process, an executive with the requisite authority, capability, and experience manages the process. • The evaluation team gains a sufficient understanding of the company's objectives related to Customs compliance. • The evaluation team gains an understanding of how the company's internal control system is supposed to work and how it actually works. • The evaluation team analyzes the results of the evaluation against established criteria. • The evaluation process is properly documented. 	
<p>3. Deficiencies found during separate evaluations are promptly resolved.</p> <ul style="list-style-type: none"> • Deficiencies are promptly communicated to the individual responsible for the function and also to at least one level of management above that individual. • Serious deficiencies and internal control problems are promptly reported to top management. 	
<i>Issue Resolution</i>	
<p>1. The company has a mechanism to ensure the prompt resolution of findings from internal or external audits or reviews. Consider the following:</p> <ul style="list-style-type: none"> • Managers promptly review and evaluate findings resulting from audits and assessments, including those showing deficiencies and those identifying opportunities for improvements. • Management determines the proper actions to take in response to findings and recommendations. • Corrective action is taken or improvements made within established time frames to resolve the matters brought to management's attention. • In cases where there is disagreement with the findings or recommendations, management demonstrates that those findings or recommendations either are invalid or do not warrant action. • Management considers consultation with auditors when it is believed to be helpful in the audit resolution process. 	

Internal Control Point	Comments/ Descriptions
2. Management is responsive to the findings and recommendations of audits and other reviews aimed at strengthening internal control.	
3. The company takes appropriate follow-up actions with regard to findings and recommendations of audits and other reviews. <ul style="list-style-type: none">• Problems are corrected promptly.• Management investigates the underlying causes giving rise to the findings or recommendations.• Actions are decided upon to correct the situation or take advantage of the opportunity for improvements.• Management and auditors follow up on audit and review findings, recommendations, and the actions decided upon to ensure that those actions are taken.• Top management is kept informed through periodic reports on the status of audit and review resolutions so that it can ensure the quality and timeliness of individual resolution decisions.	

IMPORTER SELF-ASSESSMENT HANDBOOK



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